

## Summary of Education Planning Committee Report to Lamoine Board of Selectmen

Based on the order of the Lamoine Board of Selectmen dated 20 June 2013, the Committee has considered the following questions and issues related to the possible withdrawal of certain communities [Ellsworth, Hancock and Lamoine] from RSU 24:

- Exit Costs of to Lamoine per Withdrawal Agreement payable to RSU 24
- Projected school expenditures of Lamoine as a stand-alone entity
- Projected Costs to Lamoine if the community stays in RSU 24
  - Current communities all remain in RSU 24
  - Ellsworth leaves RSU 24
  - Hancock leaves RSU 24
  - Ellsworth and Hancock both leave RSU 24

### Net Exit/Withdrawal Costs to Lamoine SAU

Projected costs of withdrawal are based on actual costs as of 30 June 2012 and projected Balance Forward as of 30 June 2014 [per accepted RSU 24 Budget]. The reconciliation between Lamoine and RSU 24 may be different, as it will be based on audited expenditures and Balance Forward. For purposes of this analysis, Costs of Withdrawal are reasonably accurate. Actual Balance Forward, however depends upon the ability of RSU 24 to meet Budget and resolution of additional EPS Funds provided by the State to RSU 24 that were not included in the RSU 24 accepted Budget for 2013 – 2014 [Maine's final budget approved by the legislature added \$512,360 in revenue to RSU 24 for 2013 – 2014. If those amounts are not proportionately refunded to the RSU 24 communities, they should remain in the Balance Forward that is subject to distribution to any departing community.]

Subject to the Schedule of Payments specified above and subject to certain adjustments based on audit of RSU Financials for Fiscal Year 2013 – 2014:

<b>In Year One After RSU:</b>	
Costs of Withdrawal to Lamoine SAU	\$254,305
Balance Forward from RSU 24 paid to Lamoine SAU	<u>(\$193,375)</u>
<b>Total RSU Exit/Withdrawal Costs</b>	<b>\$ 60,930</b>

**Projected school expenditures of Lamoine as a stand-alone entity.** The pro forma presentation of Lamoine SAU annual expenditures is based on the 2013 – 2014 RSU 24 approved budget. Projections include no changes to current Lamoine SAU staff or facilities and assume that certain functions [i.e. part-time Superintendent] and services [i.e. IT services can be secured on a contractual or as-needed basis]. It will be the responsibility of the New Lamoine School Board to ensure that the quality of the educational experience for Lamoine students is ensured and enhanced. Their vision will determine the exact level of annual expenditures for the new Lamoine SAU.

Total expenditures projected for the pro forma year are \$2,111,191 or \$12,348 per student based on current Lamoine K-12 enrollment of 171. While school expenses are not fully variable, this metric allows us to compare the pro forma for reasonableness with prior history for Lamoine, other similarly situated communities and RSU 24 as a whole. As part of Union 92 in 2008 – 2009, Lamoine's expenditures were \$2,286,252 or \$11,647 per 198 students enrolled.

Comparable analysis across these seven communities was undertaken before application of debt service, which appears in only Lamoine and Trenton. After eliminating Otis based on district size [only 80 students] and Trenton for comparably high expenditures for Special Education, the individual cost per student as well as the average of expenditures per student [pre debt service] is consistent with that of the Lamoine SAU projection. {Penobscot, \$13,301 per 119 students; Surry, \$13,782 per 163 students; Blue Hill, \$13,670 per 343 students; Cherryfield, \$12,481 per 137 students; Lamoine, \$11,987 per 171 students; Average [4 communities], \$13,308 per 191 students).

**Projected Costs to Lamoine if the community stays in RSU 24.** RSU 24 was not forthcoming with consolidating financials for individual communities that are necessary to conduct this analysis. Nor were we able to secure reasonable comparative analysis prepared by the other potential exiting communities, Ellsworth and Hancock. Based on the current RSU 24 allocation methodology, it is however likely that the administrative operating and overhead expenses charged to Lamoine will be negatively affected by the departure of Ellsworth and/or Hancock.

Based on the current RSU 24 expense allocation methodology Lamoine's share changes as follows under the following scenarios:

- |  |                      |
|--|----------------------|
| • Current communities all remain in RSU 24 | Lamoine Share 8.12%  |
| • Ellsworth leaves RSU 24                  | Lamoine Share 11.93% |
| • Hancock leaves RSU 24                    | Lamoine Share 9.23%  |
| • Ellsworth and Hancock both leave RSU 24  | Lamoine Share 14.48% |

With withdrawal of up to three communities, RSU 24 student population reduces from a total of 2,519 to 1,146, by 54.5%. It is hoped that RSU 24 could reduce administrative overhead significantly, if not proportionately. Assuming that the direct local expenses would leave the RSU with the withdrawing communities, any remaining communities will be presented with the problem of absorbing an increasing share of administrative overhead. Currently RSU administrative overhead expenses are \$7,920,000 or 21.67% of the 2013 – 2014 approved budget that totals \$36,548,456. While not precise, the following analysis shows the potential magnitude of the effect on Lamoine of the loss of EPS State Aid to RSU 24, should Ellsworth and/or Hancock withdraw from and Lamoine remain in RSU 24. Also noted is the

extreme case of increased allocation of RSU administrative overhead should Ellsworth and/or Hancock depart.

Based on 2012 -2013 data RSU 24 received state aid of \$\$2,958,000 for Ellsworth and \$231,000 for Hancock. Based on Lamoine's 8.12% RSU 24 share, this community's share of this state benefit is \$240,190 and \$18,757, respectively. Currently Lamoine is not eligible for state aid per EPS allocation. Should Lamoine remain in the RSU and Ellsworth and/or Hancock withdraw, Lamoine would lose the benefit of overall EPS.

According to the current RSU 24 expense allocation method the loss of shared state subsidy based on the RSU 24 Budget, would result in an increased cost per 171 Lamoine students:

- Plus \$1,350 if Ellsworth leaves
- Plus \$110 if Hancock leaves, and
- Plus \$1,460 if both Ellsworth and Hancock leave.

Following is a relative comparison of per student expenditures under the following alternative scenarios:

- |  |  |
|--|--|
| • Union 92 [2008-2009]                     | Lamoine per student -- <b>\$11,647</b> |
| • Current communities all remain in RSU 24 | Lamoine per student -- <b>\$11,988</b> |
| • Lamoine Withdraws to new stand-alone SAU | Lamoine per student -- <b>\$12,346</b> |

Lamoine remains in RSU and

- |   |  |
|---|--|
| • Ellsworth leaves RSU 24                 |  |
| ○ 2013-2014 RSU 24 Budget                 | Lamoine per student -- \$11,988        |
| ○ Loss of share of EPS State Aid          | Lamoine per student -- \$ 1,350        |
| ○ Reallocation of RSU Non-Direct Expense  | <u>Lamoine per student -- \$ 1,765</u> |
| ○ Total Lamoine per Student               | <b>\$15,103</b>                        |
| • Hancock leaves RSU 24                   |  |
| ○ 2013-2014 RSU 24 Budget                 | Lamoine per student -- \$11,988        |
| ○ Loss of share of EPS State Aid          | Lamoine per student -- \$ 110          |
| ○ Reallocation of RSU Non-Direct Expense  | <u>Lamoine per student -- \$ 514</u>   |
| ○ Total Lamoine per Student               | <b>\$12,612</b>                        |
| • Ellsworth and Hancock both leave RSU 24 |  |
| ○ 2013-2014 RSU 24 Budget                 | Lamoine per student -- \$11,988        |
| ○ Loss of share of EPS State Aid          | Lamoine per student -- \$ 1,460        |
| ○ Reallocation of RSU Non-Direct Expense  | <u>Lamoine per student -- \$ 2,946</u> |
| ○ Total Lamoine per Student               | <b>\$16,394</b>                        |

While the financial result of each of these scenarios is by no means precise, the trend and the corresponding affect are substantially negative for Lamoine and all other communities should they remain in RSU if Hancock and particularly Ellsworth should leave.

#### **Summary Conclusions.**

- 2013-2014 paid by Lamoine to RSU 24 is \$2,050,000 [\$11,989 per 171 students]
- Projected Stand-Alone Expenditures are \$2,111,000 [\$12,346 per 171 students]
- 2008 – 2009 paid by Lamoine, as part of Union 92, was \$2,286,000 [\$11,647 per 198 students]
- If Lamoine remains in RSU 24 and Ellsworth and/or Hancock depart, total pro-forma annual Lamoine expenditures could reach from \$2,157,000 to \$2,813,000 [\$12,600 to \$16,400 per student].
- This analysis makes no effort and takes no position on the relative qualitative merits of local control or quality of education available to the students and the Lamoine community.